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EXPORT FINANCE CORPORATION

OF CANADA, LTD.

JUN 6 1963

ANNUAL REPORT

YEAR ENDED 30th APRIL

1963

EXPORT FINANCE CORPORATION OF CANADA, LTD.

SUITE 1314 PRUDENTIAL BUILDING

4 KING STREET WEST

TORONTO, CANADA

DIRECTORS

A. F. MAYNE, *President*

T. A. BOYLES, *Vice-President*

T. L. AVISON

J. W. AYLWARD

C. B. CLARK

W. M. CURRIE

J. J. DENISON

E. R. ERNST

J. N. GOSSELIN

F. S. HARRISON

A. LACASSE

D. C. LANGFORD

L. LAVOIE

A. F. LUCAS

R. M. MACINTOSH

R. PRIMEAU

GENERAL MANAGER

H. DUKE SCOTT

DEPUTY GENERAL MANAGER

R. S. SNEYD

SECRETARY-TREASURER

M. R. JENNINGS

EXPORT FINANCE CORPORATION OF CANADA, LTD.

PRESIDENT'S REPORT

I have pleasure in submitting to the shareholders the Annual Report of the Corporation for the year ended April 30, 1963, the second full year of our operations.

You will recall that in submitting our report last year, I expressed some disappointment with the volume of export paper submitted by the Chartered Banks to the Corporation for rediscount and, despite the increase in our total assets, I feel obliged to reiterate the remarks made at that time. I feel strongly that there is a much larger field for the export of capital goods from Canada for medium term payment, namely from one to five years, and I believe that much greater effort could be directed by manufacturers to this end. I appreciate the fact that such transactions usually take some months to come to the stage of financing and I venture to hope that we may have further offerings of bills in the coming months.

We have a Corporation which has established its name in the market and is capable of providing rediscount facilities on a substantial scale at competitive interest rates. The Corporation must, and does, keep abreast of the financial conditions under which international trade is carried on and I am satisfied that the interest rates in Canada for rediscounting export paper in our field compare favourably with those in other countries.

In line with the policy established last year, I believe it desirable in the early stages of the Corporation's operations to accumulate a reasonable surplus as a cushion for fluctuations in interest rates and other contingencies. Consequently, no dividend

has been declared. The Corporation's overhead costs are notably modest, as the volume of details related to the export transactions we rediscount is handled by the banks. This enables the Corporation to quote rediscount rates at a level that will ensure low financing costs to exporters and still net to the Corporation a reasonable return on very narrow operating spreads.

Some thought has been given by the Board to the question of strengthening our management team and I am pleased to advise you that in February we were fortunate to be able to enlist the services of Mr. Ralph S. Sneyd as Deputy General Manager. Mr. Sneyd was formerly Manager, Investment Department, Head Office, The Royal Bank of Canada.

My term as President expires as of today and, before closing my remarks, I wish to express my thanks to the General Manager and to his staff and to the shareholder banks for the understanding and co-operation they have displayed during the past two years. This spirit of co-operation has done much to enable the Corporation to operate efficiently and economically and to render a service to exporters at minimum costs.

The General Manager will deal in detail with the operating results for the past year.

A. F. MAYNE,
President.

June 5, 1963.

EXPORT FINANCE CORP

BALANCE SHEET

ASSETS

| | |
|---|---------------|
| Cash | \$ 101,139.88 |
| Short term deposits | 2,157,878.21 |
| Prepaid expenses | 788.21 |
| Loans receivable (including accrued interest \$338,202.72) | 93,314,456.58 |

Approved on behalf of the Board:

A. F. MAYNE, *Director*.

T. A. BOYLES, *Director*.

\$95,574,262.88

NOTE: Loans payable in United States dollars exceed loans receivable in United States dollars. United States dollars have been converted at the rate of Canadian \$1.0789391 to U.S. dollars. Loans made by the Corporation are due in varying instalments in the years 1963 to 1968 except for an amount of \$2,085,781.00 which matures in January, 1968. At maturity such re-financing.

ATION OF CANADA, LTD.

APRIL 30, 1963

LIABILITIES

| | |
|--|----------------------|
| Accounts payable and accrued expenses | \$ 8,322.23 |
| Income taxes payable | 323,304.51 |
| Loans payable (including accrued interest \$478,756.67) | 84,597,108.23 |
| | <u>84,928,734.97</u> |

Shareholders' equity:

Capital stock:

Authorized:

| | |
|---|------------------------|
| 10,000,000 shares of the par value of \$5.00 each | <u>\$50,000,000.00</u> |
|---|------------------------|

Issued:

| | |
|------------------------|-----------------|
| 2,000,000 shares | \$10,000,000.00 |
|------------------------|-----------------|

| | | |
|----------------------|-------------------|------------------------|
| Earned surplus | 645,527.91 | 10,645,527.91 |
| | <u>645,527.91</u> | <u>\$95,574,262.88</u> |

excess has been covered by the purchase of exchange futures. All assets and liabilities in
being the average rate of exchange applying on forward contracts entered into with banks.
he loans payable by the Corporation mature in the period from May, 1963 to March, 1964,
loans payable will be re-financed, as necessary, at interest rates obtainable at the dates of

EXPORT FINANCE CORPORATION OF CANADA, LTD.

Statement of Income and Expenditure and Earned Surplus Year Ended April 30, 1963

| | | |
|--|----------------|----------------------|
| Interest earned | \$4,475,021.55 | |
| Interest expense | 3,624,649.03 | |
| | | <hr/> |
| | | 850,372.52 |
| Administrative expenses: | | |
| Salaries — officers | \$20,399.94 | |
| — other | 4,290.00 | |
| Legal fees | 6,408.27 | |
| Other professional fees | 4,450.00 | |
| Rent | 3,814.70 | |
| Quebec Corporation taxes | 5,025.00 | |
| Other | 7,975.73 | 52,363.64 |
| | | <hr/> |
| Net profit before taxes on income | | 798,008.88 |
| Taxes on income | | 390,000.00 |
| | | <hr/> |
| Net profit | | 408,008.88 |
| Earned surplus at April 30, 1962 | | 237,519.03 |
| | | <hr/> |
| Earned surplus at April 30, 1963 | | <u>\$ 645,527.91</u> |

Auditors' Report to the Shareholders

We have examined the balance sheet of Export Finance Corporation of Canada, Ltd. as of April 30, 1963 and the statement of income and expenditure and earned surplus for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, with the explanation given in the note to the balance sheet, the accompanying balance sheet and statement of income and expenditure and earned surplus present fairly the financial position of the corporation as at April 30, 1963 and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PEAT, MARWICK, MITCHELL & Co.,
Chartered Accountants.

Toronto, Ontario.
May 10, 1963.

EXPORT FINANCE CORPORATION OF CANADA, LTD.

GENERAL MANAGER'S REPORT

The operations of the Corporation for the year have resulted in a profit of \$408,008.88 or 3.98% on the paid up capital and surplus of \$10,237,519.03. The former amount has been added to earned surplus account, which now stands at \$645,527.91.

While these figures represent only a modest return on the Shareholders' Equity, I would emphasise that the policy of the Corporation has been to maintain our rediscount rates at a level which would enable the Banks to finance exports in our field at the lowest possible competitive rates. In all cases, bills held by us bear the endorsement of a Chartered Bank and the relative exports have been insured by Export Credits Insurance Corporation.

During the year we have rediscounted bills amounting to some \$45,000,000, making a total of business handled since the inception of the Corporation \$119,000,000. Matured bills have reduced the total outstanding to some \$93,000,000 as shown on the Balance Sheet.

All bills held by us are expressed either in Canadian or United States dollars and our market operations have been in both currencies. Any excess of our borrowings in one currency against our assets in the same currency have been hedged in the exchange market. You will note particularly that we have arranged to borrow some \$2,000,000 to mature in January, 1968. All other borrowings have been in the category of short term notes, maturing within one year. Our participation in the short term money markets in Canada and New York has developed to the point where adequate funds have been available to us to meet our requirements from day to day at

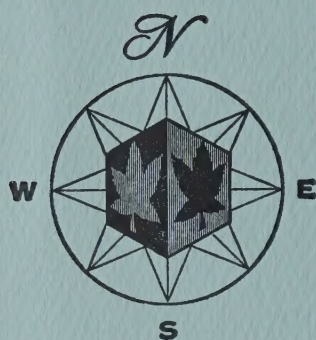
favourable rates, except for a short period in the summer of 1962 during the foreign exchange crisis in Canada, when we were obliged to finance at rates appreciably higher than during the remainder of our fiscal year.

A substantial volume of the bills held by us will mature in the next year and I have no hesitation in saying that the facilities of the Corporation are adequate to handle a far greater volume of business than is at present on our books and I hope that these facilities will be taken advantage of fully during the coming months by exporters of capital goods and equipment.

I would add my own thanks to those of the President for the excellent facilities offered to us by the Chartered Banks and to express my gratitude to him, to our Vice President and other Directors for their help and counsel. The satisfactory results of the year's business would not have been possible had it not been for their continuing interest and counsel.

H. DUKE SCOTT,
General Manager.

June 5, 1963.



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